

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO

as representative of

THE COMMONWEALTH OF PUERTO RICO, ET
AL.,

Debtors.¹

PROMESA

Title III

Case No. 17-BK-03283 (LTS)

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO

as representative of

THE EMPLOYEES RETIREMENT SYSTEM OF
THE GOVERNMENT OF THE COMMONWEALTH
OF PUERTO RICO,

PROMESA

Title III

Case No. 17-BK-03566 (LTS)

¹ The Debtors in these Title III cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the "Commonwealth") (Bankruptcy Case No. 17-BK-3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

Debtor.

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE EMPLOYEES RETIREMENT SYSTEM OF
THE GOVERNMENT OF THE COMMONWEALTH
OF PUERTO RICO,

- and -

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO

as representative of

THE COMMONWEALTH OF PUERTO RICO,

Movants,

v.

ANDALUSIAN GLOBAL DESIGNATED ACTIVITY
COMPANY, CROWN MANAGED ACCOUNTS FOR
AND ON BEHALF OF CROWN/PW SP, GLENDON
OPPORTUNITIES FUND, L.P., LMA SPC FOR AND
ON BEHALF OF MAP 98 SEGREGATED
PORTFOLIO, MASON CAPITAL MASTER FUND
L.P., OAKTREE-FORREST MULTI-STRATEGY,
LLC (SERIES B), OAKTREE OPPORTUNITIES
FUND IX, L.P., OAKTREE OPPORTUNITIES FUND
IX (PARALLEL), L.P., OAKTREE OPPORTUNITIES
FUND IX (PARALLEL 2), L.P., OAKTREE
HUNTINGTON INVESTMENT FUND II, L.P.,
OAKTREE OPPORTUNITIES FUND X, L.P.,
OAKTREE OPPORTUNITIES FUND X
(PARALLEL), L.P., OAKTREE OPPORTUNITIES
FUND X (PARALLEL 2), L.P., OAKTREE VALUE
OPPORTUNITIES FUND HOLDINGS, L.P.,
OCEANA MASTER FUND LTD., OCHER ROSE,
L.L.C., PENTWATER MERGER ARBITRAGE
MASTER FUND LTD., PWCM MASTER FUND

PROMESA
Title III

Case No. 17-bk-3566 (LTS)

Re: ECF No. 891

Case No. 17-bk-3283 (LTS)

Re: ECF No. 13054

LTD., REDWOOD MASTER FUND, LTD., AND SV
CREDIT, L.P.,

- and -

PUERTO RICO AAA PORTFOLIO BOND FUND,
INC., PUERTO RICO AAA PORTFOLIO BOND
FUND II, INC., PUERTO RICO AAA PORTFOLIO
TARGET MATURITY FUND, INC., PUERTO RICO
FIXED INCOME FUND, INC., PUERTO RICO
FIXED INCOME FUND II, INC., PUERTO RICO
FIXED INCOME FUND III, INC., PUERTO RICO
FIXED INCOME FUND IV, INC., PUERTO RICO
FIXED INCOME FUND V, INC., PUERTO RICO
GNMA & U.S. GOVERNMENT TARGET
MATURITY FUND, INC., PUERTO RICO
INVESTORS BOND FUND I, PUERTO RICO
INVESTORS TAX-FREE FUND, INC., PUERTO
RICO INVESTORS TAX-FREE FUND, INC. II,
PUERTO RICO INVESTORS TAX-FREE FUND III,
INC., PUERTO RICO INVESTORS TAX-FREE
FUND IV, INC., PUERTO RICO INVESTORS TAX-
FREE FUND V, INC., PUERTO RICO INVESTORS
TAX-FREE FUND VI, INC., PUERTO RICO
MORTGAGE-BACKED & U.S. GOVERNMENT
SECURITIES FUND, INC., TAX-FREE PUERTO
RICO FUND, INC., TAX- FREE PUERTO RICO
FUND II, INC., AND TAX-FREE PUERTO RICO
TARGET MATURITY FUND, INC.,

- and -

THE BANK OF NEW YORK MELLON, AS FISCAL
AGENT,

Respondents.

THE SPECIAL CLAIMS COMMITTEE OF THE
FINANCIAL OVERSIGHT AND MANAGEMENT
BOARD FOR PUERTO RICO, ACTING BY AND
THROUGH ITS MEMBERS,

and

THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF ALL TITLE III DEBTORS
(OTHER THAN COFINA),

as co-trustees of

THE EMPLOYEES RETIREMENT SYSTEM OF
THE GOVERNMENT OF PUERTO RICO,

Plaintiff,

v.

DEFENDANT 1M, ET AL.,

Defendants.

Adv. Proc. No. 19-00356 (LTS)

THE SPECIAL CLAIMS COMMITTEE OF THE
FINANCIAL OVERSIGHT AND MANAGEMENT
BOARD FOR PUERTO RICO, ACTING BY AND
THROUGH ITS MEMBERS,

and

THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF ALL TITLE III DEBTORS
(OTHER THAN COFINA),

as co-trustees of

THE EMPLOYEES RETIREMENT SYSTEM OF
THE GOVERNMENT OF PUERTO RICO,

Plaintiff,

v.

STOEVEER GLASS & CO., ET AL.,

Defendants.

Adv. Proc. No. 19-00357 (LTS)

THE SPECIAL CLAIMS COMMITTEE OF THE
FINANCIAL OVERSIGHT AND MANAGEMENT
BOARD FOR PUERTO RICO, ACTING BY AND
THROUGH ITS MEMBERS,

and

THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF ALL TITLE III DEBTORS
(OTHER THAN COFINA),

as co-trustees of

THE EMPLOYEES RETIREMENT SYSTEM OF
THE GOVERNMENT OF PUERTO RICO,

Plaintiff,

v.

DEFENDANT 1H-78H,

Defendants.

Adv. Proc. No. 19-00359 (LTS)

THE SPECIAL CLAIMS COMMITTEE OF THE
FINANCIAL OVERSIGHT AND MANAGEMENT
BOARD FOR PUERTO RICO, ACTING BY AND
THROUGH ITS MEMBERS,

and

THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF ALL TITLE III DEBTORS
(OTHER THAN COFINA),

as co-trustees of

THE EMPLOYEES RETIREMENT SYSTEM OF
THE GOVERNMENT OF PUERTO RICO,

Plaintiff,

v.

Adv. Proc. No. 19-00361 (LTS)

DEFENDANT 1G-50G, et al.,

Defendants.

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

EMPLOYEES RETIREMENT SYSTEM OF THE
GOVERNMENT OF THE COMMONWEALTH OF
PUERTO RICO,

and

THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF ALL TITLE III DEBTORS (OTHER
THAN COFINA),

as section 926 trustee of

THE COMMONWEALTH OF PUERTO RICO

Plaintiffs,²

v.

ANDALUSIAN GLOBAL DESIGNATED ACTIVITY
COMPANY; THE BANK OF NEW YORK MELLON;
MASON CAPITAL MASTER FUND LP; OCHER
ROSE, L.L.C.; SV CREDIT, L.P.; CROWN
MANAGED ACCOUNTS FOR AND ON BEHALF
OF CROWN/PW SP; LMA SPC FOR AND ON
BEHALF OF MAP 98 SEGREGATED PORTFOLIO;
OCEANA MASTER FUND LTD.; PENTWATER
MERGER ARBITRAGE MASTER FUND LTD.;
AND PWCM MASTER FUND LTD,

Adv. Proc. No. 19-00366 (LTS)

² The Official Committee of Unsecured Creditors serves as section 926 trustee and co-plaintiff in the prosecution of this adversary proceeding pursuant to Docket No. 6990, which is incorporated herein by reference.

Defendants.

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

EMPLOYEES RETIREMENT SYSTEM OF THE
GOVERNMENT OF THE COMMONWEALTH OF
PUERTO RICO,

and

THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF ALL TITLE III DEBTORS (OTHER
THAN COFINA),

as section 926 trustee of

THE COMMONWEALTH OF PUERTO RICO

Plaintiffs,³

v.

GLENDON OPPORTUNITIES FUND, L.P.;
OAKTREE-FORREST MULTI-STRATEGY, LLC
(SERIES B); OAKTREE OPPORTUNITIES FUND
IX, L.P.; OAKTREE OPPORTUNITIES FUND IX
(PARALLEL 2), L.P.; OAKTREE VALUE
OPPORTUNITIES FUND, L.P.; PUERTO RICO AAA
PORTFOLIO BOND FUND, INC.; PUERTO RICO
AAA PORTFOLIO BOND FUND II, INC.; PUERTO
RICO AAA PORTFOLIO TARGET MATURITY
FUND, INC.; PUERTO RICO FIXED INCOME
FUND, INC.; PUERTO RICO FIXED INCOME
FUND II, INC.; PUERTO RICO FIXED INCOME
FUND III, INC.; PUERTO RICO FIXED INCOME
FUND IV, INC.; PUERTO RICO FIXED INCOME
FUND V, INC.; PUERTO RICO GNMA & U.S.

Adv. Proc. No. 19-00367 (LTS)

³ The Official Committee of Unsecured Creditors serves as section 926 trustee and co-plaintiff in the prosecution of this adversary proceeding pursuant to Docket No. 6990, which is incorporated herein by reference.

GOVERNMENT TARGET MATURITY FUND,)
INC.; PUERTO RICO INVESTORS BOND FUND I;)
PUERTO RICO INVESTORS TAX-FREE FUND,)
INC.; PUERTO RICO INVESTORS TAX-FREE)
FUND II, INC.; PUERTO RICO INVESTORS TAX-)
FREE FUND III, INC.; PUERTO RICO INVESTORS)
TAX-FREE FUND IV, INC.; PUERTO RICO)
INVESTORS TAX-FREE FUND V, INC.; PUERTO)
RICO INVESTORS TAX-FREE FUND VI, INC.;)
PUERTO RICO MORTGAGE-BACKED & U.S.)
GOVERNMENT SECURITIES FUND, INC.; TAX-)
FREE PUERTO RICO FUND, INC.; TAX-FREE)
PUERTO RICO FUND II, INC.; TAX-FREE PUERTO)
RICO TARGET MATURITY FUND, INC.; UBS IRA)
SELECT GROWTH & INCOME PUERTO RICO)
FUND,)
)
Defendants.)
)
)

**REPLY IN SUPPORT OF URGENT MOTION OF THE COMMITTEES AND
GOVERNMENT PARTIES TO SET ORAL ARGUMENT CONCERNING PENDING
MOTIONS IN CERTAIN CONTESTED MATTERS AND ADVERSARY
PROCEEDINGS RELATED TO THE BONDS ISSUED BY THE EMPLOYEES
RETIREMENT SYSTEM OF THE GOVERNMENT OF
THE COMMONWEALTH OF PUERTO RICO**

To the Honorable United States District Judge Laura Taylor Swain:

The Official Committee of Unsecured Creditors (the “Creditors’ Committee”), the Official Committee of Retired Employees of the Commonwealth of Puerto Rico (the “Retiree Committee” and, together with the Creditors’ Committee, the “Committees”), the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) as the Debtor’s sole representative pursuant to Section 315(b) of PROMESA, and the Special Claims Committee of the Financial Oversight and Management Board for Puerto Rico (the “SCC,” and together with the Oversight Board and the Committees, the “Movants”), respectfully submit this reply memorandum in further support of their *Urgent Motion of the Committees and Government*

Parties to Set Oral Argument Concerning Pending Motions in Certain Contested Matters and Adversary Proceedings Related to the Bonds Issued by the Employees Retirement System of the Government of the Commonwealth of Puerto Rico [ECF No. 15634 in Case No. 17-bk-3283, ECF No. 1052 in Case No. 17-bk-3566] (the “Motion”), and in reply to (i) the *Opposition to Urgent Motion of the Committees and Government Parties Concerning Pending Motions in Certain Contested Matters and Adversary Proceedings Related to the Bonds Issued by the Employees Retirement System of the Government of the Commonwealth of Puerto Rico* by certain ERS Bondholders represented by Jones Day and by the Fiscal Agent [ECF No. 15639 in Case No. 17-bk-3283, ECF No. 1053 in Case No. 17-bk-3566] (the “JD/FA Opposition” or “JD/FA Opp.”); and (ii) *The Puerto Rico Funds’ Opposition to Urgent Motion of the Committees and Government Parties Concerning Pending Motions in Certain Contested Matters and Adversary Proceedings Related to the Bonds Issued by the Employees Retirement System of the Government of the Commonwealth of Puerto Rico* (the “PR Funds Opposition” or “PR Funds Opp.”) [ECF No. 15641 in Case No. 17-bk-3283; ECF No. 1054 in Case No. 17-bk-3566] (together with the JD/FA Opposition, the “Oppositions”).⁴

ARGUMENT

1. The ERS Bondholders and the Fiscal Agent oppose setting oral argument on the pending ERS Motions because this Court’s further consideration of the legal issues in these proceedings will only expose additional infirmities in their positions and further crystalize their entitlement to limited recoveries. Argument and decision of these “highly significant issues” (JD/FA Opp. ¶ 5) are therefore not “premature” (*id.* ¶ 1), but rather, appropriate and necessary predicates to seeking any consensual resolution in these proceedings.

⁴ Capitalized terms not otherwise defined herein have the meaning given to them in the Motion.

2. The Oppositions raise three other arguments, none of which has merit.

3. *First*, the ERS Bondholders represented by Jones Day and the Fiscal Agent complain the Oversight Board has “resisted” mediation (JD/FA Opp. ¶ 1). Such position is incorrect. The Court-appointed Mediation Team (and not the Oversight Board) has scheduled mediation sessions in an effort to maximize the possibility of building a foundation of support for a plan of adjustment and develop as broad of a consensus prior to February 10, 2021. The Oversight Board has participated in every mediation session that has been scheduled. A broad spectrum of bondholders participate in these sessions, including the largest holder of ERS Bonds.⁵

4. *Second*, the ERS Bondholders and the Fiscal Agent advocate arguing the pending ERS Motions in “phases” to occur over a two- to three-month period (JD/FA Opp. ¶¶ 4–5; PR Funds Opp. ¶ 2), but that approach makes no sense. It would unnecessarily burden the Court by requiring it to issue rapid decisions following each phase of argument ahead of the next phase, and by depriving the Court of the opportunity not only to question counsel on the overlapping issues in the ERS Motions by limiting argument to artificial “phases,” but to issue a decision that considers these issues as a whole. It would also be inefficient for the parties to present argument *four times* over the course of three months on overlapping issues as the ERS Bondholders advocate (JD/FA Opp. ¶¶ 5–6; PR Funds Opp. ¶ 2), and to give the parties four opportunities to appeal from the Court’s piecemeal decisions.

⁵ The Creditors’ Committee does not join in paragraph 3, as it addresses arguments and issues specific to the Oversight Board.

5. The Court is perfectly capable of hearing more than one “complicated” and “highly significant” issue in one day (JD/FA Opp. ¶ 4), and would benefit from the opportunity to consider the pending ERS Motions in context in a single argument.

6. *Third*, the ERS Bondholders ask for the Rule 12(b) and Rule 12(c) motions to be argued on separate dates because they “involve entirely separate legal issues” (JD/FA Opp. ¶ 6; *see also* PR Funds Opp. ¶ 2), but that is wrong. The Rule 12 Motions differ procedurally but substantively concern the same issues—namely, the disposition of the ERS Bondholders’ sprawling theories in their proofs of claim. Further, the disposition of the Rule 12 Motions turns in part on the disposition of the other ERS Motions, and they should be considered in that context.

CONCLUSION

7. For the foregoing reasons, the Court should set oral argument in March on the pending ERS Motions.⁶

[Remainder of Page Intentionally Left Blank]

⁶ The Oppositions do not take issue with the time allocations Movants have requested.

Dated: January 19, 2021
New York, NY

Respectfully submitted,

/s/ Margaret A. Dale

Martin J. Bienenstock (*pro hac vice*)
Brian S. Rosen (*pro hac vice*)
Jeffrey W. Levitan (*pro hac vice*)
Margaret A. Dale (*pro hac vice*)
PROSKAUER ROSE LLP
Eleven Times Square
New York, NY 10036
Tel: (212) 969-3000
Fax: (212) 969-2900
Email: mbienenstock@proskauer.com
Email: brosen@proskauer.com
Email: jlevitan@proskauer.com
Email: mdale@proskauer.com

Luis F. del Valle-Emmanuelli
USDC-PR No. 209514
P.O. Box 79897
Carolina, Puerto Rico 00984-9897
Tel. 787.647.3503
Fax. N/A
dvelawoffices@gmail.com

OF COUNSEL FOR
A&S LEGAL STUDIO, PSC
434 Avenida Hostos
San Juan, PR 00918
Tel: (787) 751-6764/ 763-0565
Fax: (787) 763-8260

*Attorneys for the Financial Oversight and
Management Board for Puerto Rico, as
representative of the Employees Retirement
System of the Government of the
Commonwealth of Puerto Rico*

/s/ Sunni P. Beville

BROWN RUDNICK LLP
Edward S. Weisfelner, Esq. (Pro Hac Vice)

Seven Times Square
New York, NY 10036
Tel: (212) 209-4800
eweisfelner@brownrudnick.com

Sunni P. Beville, Esq. (Pro Hac Vice)
One Financial Center
Boston, MA 02111
Tel: (617) 856-8200
sbeville@prownrudnick.com

Counsel to the Special Claims Committee

/s/ Alberto Estrella

ESTRELLA, LLC
Alberto Estrella (USDC-PR 209804)
Kenneth C. Suria (USDC-PR 213302)
P.O. Box 9023596
San Juan, Puerto Rico 00902-3596
Tel: (787) 977-5050
Fax: (787) 977-5090

Local Counsel to the Special Claims Committee

/s/ Catherine Steege

JENNER & BLOCK LLP
Robert Gordon (admitted pro hac vice)
Richard Levin (admitted pro hac vice)
919 Third Ave
New York, NY 10022-3908
rgordon@jenner.com
rlevin@jenner.com
212-891-1600 (telephone)
212-891-1699 (facsimile)

Catherine Steege (admitted pro hac vice)
Melissa Root (admitted pro hac vice)
Landon Raiford (admitted pro hac vice)
353 N. Clark Street
Chicago, IL 60654
csteege@jenner.com
mroot@jenner.com
lraiford@jenner.com

312-222-9350 (telephone)
312-239-5199 (facsimile)

/s/ A.J. Bennazar-Zequeira

BENNAZAR, GARCÍA & MILIÁN, C.S.P
A.J. Bennazar-Zequeira
Héctor M. Mayol Kauffmann
Francisco del Castillo Orozco
Edificio Union Plaza,
1701 Avenida Ponce de León #416
Hato Rey, San Juan
Puerto Rico 00918
ajb@bennazar.org
hector.mayol@bennazar.com
787-754-9191 (telephone)
787-764-3101 (facsimile)

*Counsel for the Official Committee of Retired
Employees of Puerto Rico*

Respectfully submitted,

/s/ Luc A. Despins

PAUL HASTINGS LLP
Luc A. Despins (*Pro Hac Vice*)
James R. Bliss, Esq. (*Pro Hac Vice*)
James B. Worthington, Esq. (*Pro Hac Vice*)
G. Alexander Bongartz (*Pro Hac Vice*)
200 Park Avenue
New York, New York 10166
Telephone: (212) 318-6000
lucdespins@paulhastings.com
jamesbliss@paulhastings.com
jamesworthington@paulhastings.com
alexbongartz@paulhastings.com

*Counsel to the Official Committee of Unsecured
Creditors*

/s/ Juan J. Casillas Ayala

CASILLAS, SANTIAGO & TORRES LLC

Juan J. Casillas Ayala, Esq. (USDC – PR 218312)
Israel Fernández Rodríguez, Esq. (USDC – PR 22504)
Juan C. Nieves González, Esq. (USDC – PR 231707)
Cristina B. Fernández Niggemann, Esq. (USDC – PR 306008)
PO Box 195075
San Juan, Puerto Rico 00919-5075
Telephone: (797) 523-3434
Fax: (797) 523-3433
jcasillas@cstlawpr.com
ifernandez@cstlawpr.com
jnieves@cstlawpr.com
cfernandez@ctslawpr.com

Local Counsel to the Official Committee of Unsecured Creditors

/s/ John Arrastia

GENOVESE JOBLOVE & BATTISTA, P.A.
John Arrastia, Esq. (*Pro Hac Vice*)
John H. Genovese, Esq. (*Pro Hac Vice*)
Jesus M. Suarez, Esq. (*Pro Hac Vice*)
Mariaelena Gayo-Guitian, Esq. (*Pro Hac Vice*)
100 SE 2nd Street, Suite 4400
Miami, Florida 33131
Tel: 305-349-2300
jarrastia@gjb-law.com
jgenovese@gjb-law.com
jsuarez@gjb-law.com
mguitian@gjb-law.com

Special Litigation Counsel to the Official Committee of Unsecured Creditors

CERTIFICATE OF SERVICE

I hereby certify that, on this same date, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notifications of such filing to all CM/ECF participants in this case.

Dated: January 19, 2021

/s/ Luis F. del Valle-Emmanuelli
Luis F. del Valle-Emmanuelli